

Message Text

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ACTION EB-11

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R 162026Z AUG 74

FM AMCONSUL MONTREAL

TO SECSTATE WASHDC 5198

AMEMBASSY OTTAWA

AMCONSUL TORONTO

AMCONSUL QUEBEC

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E.O. 11652: N/A

TAGS: EFIN CA

SUBJECT: FOREIGN REGULATION OF FOREIGN BROKERS AND UNDER-
WRITERS

REF: STATE 079749

1. OTTAWA REPEATED 079749 AND A-1911 TO MONTREAL AND REQUESTED CONTRIBUTION REGARDING PROVINCIAL REGULATIONS.
2. BROKERS MUST BE REGISTERED WITH THE QUEBEC SECURITIES COMMISSION TO OPERATE IN THIS PROVINCE. IN ADDITION TO BROKERS, REQUIREMENT APPLIES TO INVESTMENT DEALERS, SECURITIES DEALERS, MUTUAL FUND BROKERS OR DEALERS, SCHOLARSHIP PLAN DEALERS AND UNDERWRITERS. QSC POLICY REGARDING REGISTRATION IS CONTAINED IN POLICY STATEMENT 21 WHICH BECAME EFFECTIVE OCTOBER 1, 1973 (SEE MONTREAL A-100, JULY 13, 1973). AN ENGLISH LANGUAGE COPY OF STATEMENT 21 AND OF AMENDMENT 1 BEING FORWARDED UNDER SEPARATE COVER.
3. FOREIGN SECURITIES FIRMS REGISTERED IN QUEBEC PRIOR TO JULY, 1969 ENJOY SPECIAL STATUS AND CAN OPERATE WITHOUT RE-

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STRICTIONS. ONLY FOUR FIRMS HAVE BEEN REGISTERED BY QSC SINCE

JULY, 1969, WHITE WELD, FIRST BOSTON AND MORGAN STANLEY OF THE U.S. AND YAMAICHI OF JAPAN. WHITE WELD WAS REGISTERED BY QSC IN ABOUT DECEMBER, 1969, AND BECAME MEMBER OF CANADIAN STOCK EXCHANGE. IT OBTAINED AUTOMATIC TWO-YEAR MEMBERSHIP IN MONTREAL STOCK EXCHANGE FOLLOWING THE MERGER OF MONTREAL AND CANADIAN EXCHANGES ON JANUARY 1, 1974, BUT WILL HAVE TO APPLY FOR PERMANENT MEMBERSHIP IN MSE WHEN TEMPORARY MEMBERSHIP EXPIRES IN LATE 1975. A RELIABLE SOURCE IN THE INVESTMENT DEALERS ASSOCIATION OF CANADA (IDA) HAS TOLD US IT IS UNLIKELY THE APPLICATION WILL BE APPROVED. FIRST BOSTON, MORGAN STANLEY AND YAMAICHI WERE REGISTERED BY QSC DURING PERIOD 1971-1973. THESE THREE FIRMS ARE NOT MEMBERS OF THE MSE NOR OF THE IDA, AND WE UNDERSTAND MEMBERSHIP WOULD NOT BE OPEN TO THEM.

4. FOREIGN BROKERS DEFINITELY RESTRICTED BY QUEBEC REGULATIONS AND THEIR INABILITY JOIN MSE. OUR A-2 OF JANUARY 4, 1973 REPORTED ON THE CAPITAL AND STAFF RESTRICTIONS IMPOSED ON YAMAICHI BY QSC. OUR IDA SOURCE TOLD US MORGAN STANLEY ALSO RESTRICTED AS TO STAFF AND CAPITAL. HE ALSO RELATED THAT IN MAY-JUNE 1974, PAINE WEBER JACKSON AND CURTIS OF THE U.S. APPLIED TO QSC FOR REGISTRATION IN CONNECTION WITH ITS PLANNED PURCHASE OF CANADIAN BROKERAGE HOUSE OF DUPONT GLORE AND FORGAN BUT WITHDREW ITS APPLICATION WHEN TOLD IT WOULD BE LIMITED TO CAPITALIZATION OF ONE MILLION DOLLARS. ACCORDING TO OUR IDA SOURCE, FIRST BOSTON WAS REGISTERED BY THE QSC WITHOUT RESTRICTIONS BUT HE IS CONVINCED THIS COULD NOT HAPPEN NOW. THE CHAIRMAN OF THE QSC AT TIME FIRST BOSTON WAS REGISTERED HAS BEEN OUT OF CANADA, REPORTEDLY AS A FUGITIVE FROM JUSTICE, FOR OVER TWO YEARS.

5. OUR A-23, FEBRUARY 6, 1974, ENCLOSED COPY OF A JOINT SECURITIES INDUSTRY POLICY STATEMENT BY THE IDA AND THE MONTREAL, CANADIAN (NOW MERGED WITH MSE), TORONTO AND VANCOUVER STOCK EXCHANGES. THAT POLICY IS BASED ON THE PREMISE THAT OWNERSHIP OF THE CANADIAN SECURITIES INDUSTRY MUST BE SUBSTANTIALLY CANADIAN. OUR IDA SOURCE TOLD US ON AUGUST 15 THAT THE POLICY REMAINS UNCHANGED. HE ALSO TOLD US, AND WE AGREE, THAT THERE IS A STRONG POSSIBILITY OF GREATER CONTROL OF FOREIGN OWNERSHIP BY THE QSC. HE ADDED THAT THE LIMITED OFFICIAL USE

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KEYNOTE SPEAKER AT THE IDA ANNUAL CONVENTION AT VICTORIA, B.C. IN JUNE, 1974, WAS J. C. WHITEHEAD, CHAIRMAN OF THE U.S. SECURITIES INDUSTRY ASSOCIATION AND THAT HE BLASTED THE IDA FOR ITS RESTRICTIVE POLICY TOWARD FOREIGN OWNERSHIP. HARPER

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Draft Date: 16 AUG 1974
Decaption Date: 01 JAN 1960
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
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